

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

February 16, 2001

IN RE:

**APPLICATION OF ENTERGY ARKANSAS, INC. FOR
AUTHORITY TO ENTER INTO CERTAIN FINANCING
TRANSACTIONS DURING THE YEARS 2000 THROUGH
2001**

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**DOCKET NO.
99-00719**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before the Tennessee Regulatory Authority (the "Authority") upon the Application (the "Application") of Entergy Arkansas, Inc. ("Entergy"), as amended, for authority to enter into certain financing transactions during the years 2000 and 2001. The Directors of the Authority considered Entergy's Application, as amended, at a regularly scheduled Authority Conference held on February 6, 2001. Upon consideration of the Application, as amended, the Directors made the following findings of fact and conclusions of law:

1. Entergy is an Arkansas corporation and is qualified to transact business in the State of Tennessee.
2. Entergy is in the business of supplying electric power to ratepayers in Tennessee, and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. §§ 65-4-101, *et seq.* As the Application states, however, Entergy's properties and facilities are located principally in Arkansas; Entergy has certain distribution lines located in a small portion of Tennessee.

3. Entergy filed its Application with the Authority on September 27, 1999. In the Application, Entergy states that it proposes to implement its new financing plan for the period January 1, 2000 through December 31, 2001, to issue and sell one or more series of its first mortgage bonds and one or more series of its debentures in such principal amounts as Entergy may elect, which combined amounts, in the aggregate, shall not exceed the sum of \$660,000,000. The Application further states that Entergy requests authorization to issue preferred securities and subordinated debentures, preferred stock, and common stock for the purposes set forth in Entergy's application to the Arkansas Public Service Commission (the "Arkansas Commission"), which is attached to the Application as Exhibit 1, and in the Direct Testimony of Mr. Steven C. McNeal before the Arkansas Commission, attached to the Application as Exhibit 2.

4. By letter dated October 19, 1999, the Authority informed Entergy that pursuant to Tennessee Attorney General Opinion No. 99-119 Authority approval of Entergy's proposed financing transactions was not required.

5. In a letter dated January 16, 2001, Entergy informed the Authority that due to the extraordinary costs associated with ice storms which occurred throughout Arkansas and surrounding areas in the month of December 2000, Entergy deemed it prudent to issue a series of first mortgage bonds. Entergy stated that while it recognized the Authority's conclusion stated in the letter of October 19, 1999, Entergy was nevertheless requesting the Authority's approval of the proposed debt issuance as set forth in its Application and in documents submitted as attachments to the January 16, 2001 letter. Entergy stated that it sought Authority approval of the proposed debt issuance pursuant to Tenn. Code Ann. § 65-4-109 or, in the alternative, either an order concurring with an order of the Arkansas Commission approving the financing

transactions or a declarative statement that the Authority does not have to approve such transactions.

6. At the February 6, 2001 Authority Conference, the Directors considered Entergy's Application pursuant to Tenn. Code Ann. § 65-4-109, which directs the Authority to approve a proposed debt issuance if it finds that such proposed debt issuance is to be made in accordance with the law and the Authority approves the purpose of such issuance.

7. To inform the Authority of the specific transactions for which it seeks approval, Entergy submitted an Order of the Arkansas Commission, Order No. 1 in Arkansas Commission Docket No. 99-234U, issued on January 26, 2000, as an attachment to its letter to the Authority of January 16, 2001. That Order indicates that Entergy has received approval from the Arkansas Commission and now seeks approval from the Authority to issue and sell: (1) one or more series of first mortgage bonds and one or more series of debentures, the combined issuance of which would not exceed \$660,000,000; (2) issuances of one or more of three series of preferred stock or preferred securities, the combined issuance of which would not exceed \$185,000,000; (3) an aggregate amount of common stock, not to exceed \$100,000,000; (4) one or more series of tax-exempt bonds, the combined issuance of which would not exceed \$175,000,000; and (5) one or more series of collateral bonds in an aggregate amount not to exceed \$190,000,000, separate from the issuance and sale of bonds.

8. As stated in the Application and in documents filed with Entergy's letter to the Authority of January 16, 2001, Entergy is requesting Authority approval for the proposed transactions primarily to achieve the financial flexibility that will permit a timely response to changing market conditions when it becomes beneficial for Entergy to refinance, refund, or otherwise acquire outstanding higher-cost securities. The proceeds will be used for general

corporate purposes, including, but not limited to, the possible acquisition, redemption, and refunding of certain outstanding securities.

9. After careful consideration of the entire record in this matter and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, the Authority found that the debt issuance proposed by Entergy will be in the public interest and is for a proper purpose, and voted unanimously to approve the Application as amended.¹

IT IS THEREFORE ORDERED THAT:

1. Entergy Arkansas, Inc. is authorized to issue and sell: (1) one or more series of first mortgage bonds and one or more series of debentures, the combined issuance of which would not exceed \$660,000,000; (2) issuances of one or more of three series of preferred stock or preferred securities, the combined issuance of which would not exceed \$185,000,000; (3) an aggregate amount of common stock, not to exceed \$100,000,000; (4) one or more series of tax-exempt bonds, the combined issuance of which would not exceed \$175,000,000; and (5) one or more series of collateral bonds in an aggregate amount not to exceed \$190,000,000, separate from the issuance and sale of bonds;

2. The terms of said transactions shall be as described in the Application on file with the Authority, as amended;


3. The authorization and approval given herein should not be used by any party,

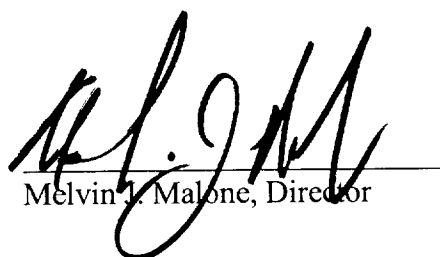
¹ The Authority takes this action notwithstanding the conclusions of Tennessee Attorney General Opinion No. 99-119, which addresses whether Tenn. Code Ann. § 65-4-103 or federal regulation generally precludes Authority approval of debt issuances as required by Tenn. Code Ann. § 65-4-109. The Opinion notes that the Tennessee Supreme Court held, in *Tennessee Public Service Commission v. Nashville Gas Company*, 551 S.W.2d 315 (1977), cert. denied, 434 U.S. 904 (1977), that “§ 65-4-103 does not altogether prevent the regulation by Tennessee of public utilities engaged in interstate commerce and subject to federal regulation, if it is clear that federal law does not prohibit such state regulation.” Attorney General Opinion 99-119, p. 4. The Opinion considers each type of utility the Authority regulates and concludes that it is not clear whether federal legislation precludes state regulation of debt issuances by electric utilities, but it acknowledges case law in support of state regulation. *Id.*, p. 9.

including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Entergy Arkansas, Inc. securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein; and

4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary